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DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Outgoing
C0250005
4069
OK

June 28, 2012

Kirk Nicholes, Resident Agent
Alton Coal Development, LLC
463 North 100 West, Ste. 1
Cedar City, UT 84720

Subject: 2011 Annual Report Review Completion, Coal Hollow Mine, C/025/0005, Task ID #4069

Dear Mr.Nicholes:

The Division staff has completed the review of the 2011 Annual Report. Enclosed is a copy of the review with each reviewer's comments completed on June 28, 2012.

Thank you for your diligence in completing the Annual Report. If you have any questions, please call me at (801) 538-5325.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/PWB/sqs

Enclosure

cc: Price Field Office

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Annual Report

This Annual Report shows information the Division has for your mine. Submit the completed document and any additional information identified in the Appendices to the Division by **March 30, 2012**. During a complete inspection an inspector will check and verify the information.

GENERAL INFORMATION

| | | | |
|-----------------|-----------------------------|------------------------|-------------------------|
| Company Name | Alton Coal Development, LLC | Mine Name | Coal Hollow Mine |
| Permit Number | C/025/0005 | Permit expiration Date | 11/08/2015 |
| Operator Name | Alton Coal Development | Phone Number | +1 (435) 867-5331 |
| Mailing Address | 463 N. 100 W. Suite 1 | Email | knicholes@altoncoal.com |
| City | Cedar City | | |
| State | Utah | Zip Code | 84721 |

DOGM File Location or Annual Report Location

Excess Spoil Piles

☒ Required☐ Not Required

Refuse Piles

☐ Required☒ Not Required

Impoundments

☒ Required☐ Not Required

Other:

OPERATOR COMMENTS

Ponds 1, 1A, 2 and 3 were constructed in the 1st quarter of 2011, certified inspection was completed on February 9, 2011 for the annual. For the second quarter, Excess Spoil Pile and Impoundment Inspections were completed on June 15, 2011. For the third quarter, Excess Spoil Pile and Impoundments inspections were completed on September 30, 2011. Fourth quarter, Excess Spoil Pile and Impoundments inspection were completed on December 15, 2011. Copies of the Excess Spoil pile and Impoundment inspections are included in this submittal.

REVIEWER COMMENTS



Met Requirements



Did Not meet Requirements

The operator has met the requirements for sediment pond and excess spoil pile inspections and certifications.

COMMITMENTS AND CONDITIONS

The Permittee is responsible for ensuring annual technical commitments in the Mining and Reclamation Plan and conditions accepted with the permit are completed throughout the year. The Division has identified these commitments below and has provided space for you to report what you have done during the past year for each commitment. If additional written response is required, it should be filed as an attachment to this report.

Title: TOPSOIL AND SUBSOIL SALVAGE

Objective: Monitor topsoil and subsoil salvage by suitability criteria and depth described in Appendix 2-1, Table 4-1.

Frequency: During operations

Status: Long term

Reports: Keep tally of volumes salvaged, stockpiled, live hauled.

Citation: MRP, Volume 1, Chapter 2, Section 231.100, and Appendix 2-1, pg. 4-2.

Operator Comments

20,100 c.y. of topsoil were removed, all of which were placed in the topsoil Pile 4. 81,370 c.y. of subsoil was placed in subsoil Pile 2. No topsoil or subsoil was live hauled in 2011. Appendix 2-2 was added to the MRP and all soil analysis added June 30, 2011.

Reviewer Comments ☒ Met Requirements

☐ Did Not Meet Requirements

Priscilla Burton reviewed this report on 5/4/2012. Appendix 2-2 of the MRP contains the analytical reports for topsoil sampled during construction of the site in 2010. The samples sent for analysis on 3/1/2011 represent the quality of the topsoil stored in Topsoil pile #1 (week 1), #2 (weeks 2 & 3), and #3 (week 4). The topsoil sample sent for analysis on 4/4/2011 represents the quality of the topsoil stored in temporary Topsoil pile #4. The two subsoil samples sent for analysis on 4/4/2011 represent the quality of the subsoil in piles 1 & 2 respectively. See Inspection Report #3082 for the condition of the topsoil and subsoil piles on April 26, 2012.

Title: PREDATOR CONTROL

Objective: To effectively manage predators and increase the population of birds at the Alton lek.

Frequency: Annually

Status: Ongoing

Reports: Annual summary of work completed to date.

Citation: MRP, Volume 2, Chapter 3, Appendix 3-5 page 13

Operator Comments

Alton Coal Development has entered into a 5 year contract with Wildlife Services (copy submitted as addendum to 3-5 of MRP). The 2011 report from Kevin Dustin, predator control specialist with USDA Wildlife Services, indicates 1,100 poison eggs were distributed with an estimated 1 raven killed for every 4 eggs placed or 275 ravens exterminated. Also, Federal Trappers, trapped or killed 18 coyotes from the Alton area.

Reviewer Comments ☒ Met Requirements

☐ Did Not Meet Requirements

Reviewed by Ingrid Campbell 6/26/12: Copy of contract is located in addendum 3-5 of the MRP. The 2011 report from Kevin Dustin is not included in the annual report. Please include that report in the annual report in the future.

Title: WILDLIFE AWARENESS PROGRAM

Objective: To provide protection for the resident wildlife and minimize impacts (collisions) from vehicles and heavy equipment.

Frequency: Continuous and as needed for new employees throughout the life of the mine.

Status: Ongoing from the onset of mining activities.

Reports: Annual, log of employee awareness meetings, road kills for deer, elk, sage grouse and domestic livestock from the mine site to highway 89.

Citation: MRP, Volume 2, Chapter 3, pages 3-54, 55.

Operator Comments

Two wildlife awareness discussions were given with Coal Hollow Mine employees in 2011, logs of these meetings are included. There were no road kills of deer, elk, sage-grouse or domestic livestock at the mine site or between the mine and highway 89 by Coal Hollow Mine Employees.

Reviewer Comments ☒ Met Requirements ☐ Did Not Meet Requirements

Reviewed by Ingrid Campbell 6/26/12: The logs of the wildlife protection and safety meetings were provided in the report.

Title: WATER REPLACEMENT WELL

Objective: Alton Coal Development, LLC commits to having the water-replacement well (or other appropriate water replacement source as approved by the Division) drilled and developed before beginning overburden removal for Pits 13, 14 and 15.

Frequency: One time, when needed

Status: Well was drilled October of 2010, but its function as a water replacement well will not occur until overburden removal on pits 13, 14 and 15 occurs.

Reports: Report status of well and target date for overburden removal in annual report.

Citation: MRP, Volume 7, Chapter 7, Section 731.530, page 7-59

Operator Comments

As indicated the well was drilled and is functional as of October 2010. At the current rate of production it is anticipated that overburden removal on Pits 13, 14 and 15 will occur in the second half of 2013. As the well is installed and functional, if necessary, it will be used as a water replacement well.

Reviewer Comments ☒ Met Requirements

☐ Did Not Meet Requirements

Reviewed by Ken Hoffman June 21: as stated overburden removal on Pits 13, 14, and 15 has not yet occurred so requirements are met.

Title: DEVELOPING THE HOYT'S RANCH CONNECTIVITY CORRIDOR

Objective: To reestablish connectivity between the Alton and near by Hoyt's Ranch sage grouse populations.

Frequency: Annual summary of work completed.

Status: Ongoing, radio collared birds have been using the corridor in 2008, 2009 and 2010.

Reports: Annual summary in Annual report

Citation: MRP, Volume 2, Chapter 3, Appendix 3-5 page 4

Operator Comments

Approximately 155 acres of additional corridor improvement was completed in 2011. Additional information regarding the connectivity corridor and monitoring have been included in the "Greater Sage-grouse Population and Habitat Improvement - Progress Report" in Appendix 3-6 of the MRP.

Reviewer Comments ☒ Met Requirements

☐ Did Not Meet Requirements

Greater Sage grouse population and habitat improvement progress report in appendix 3-6 of the MRP is currently under review by the Division as an amendment to the MRP (tasks 4000, 4039 and 4100).

Title: SAGE GROUSE CONSERVATION AREA

Objective: To protect and develop a 72 acre parcel of sage grouse habitat.

Frequency: Annual summary until complete

Status: Ongoing. The permittee has disked 40 acres as noted in the MRP and correspondence. The completed area needs to be surveyed for percent cover of sagebrush and species composition.

Reports: Annual summary of work in annual report.

Citation: MRP, Volume 2, Chapter 3, Appendix 3-5, page 5.

Operator Comments

The overall Conservation Area is approx. 72 acres, of this, there was approximately 40 acres of intact dense sagebrush (considered to be too dense for sage-grouse use) of which approximately 2.5 acres were treated by disking and planting in 2010. The initial survey of the progress of this area were completed in 2011 and results are included in the "Greater Sag-grouse Population and Habitat Improvement - Progress Report" in Appendix 3-6 of the MRP.

Reviewer Comments ☒ Met Requirements

☐ Did Not Meet Requirements

Greater Sage grouse population and habitat improvement progress report in appendix 3-6 of the MRP is currently under review by the Division as an amendment to the MRP (Tasks 4000, 4039, and 4100).

Title: REDUCTION OF JUNIPER TREES WITHIN KEY HABITATS OF THE ALTON AREA.

Objective: To reduce raptor perches and increase sage grouse habitat.

Frequency: Annual summary of utilization for nesting and brood rearing.

Status: Ongoing, work completed in 2006.

Reports: Annual summary of utilization for nesting and brood rearing.

Citation: MRP, Volume 2, Chapter 3, Appendix 3-5, pages 7-10

Operator Comments

This area is part of the 75 acres Sage-grouse Conservation Area and has been the focus of additional sagebrush treatments in 2010. In 2011 vegetation surveys were completed to assess success of the vegetation treatment. Wildlife use was looked for but not observed in the vegetation transects. In 2011 there were employee sighting of grouse in the meadow area immediately east of this treatment area in September.

Reviewer Comments ☐ Did Not Meet Requirements

☒ Met Requirements

Reviewed by Ingrid Campbell 6/26/12: The MRP does not include the requirements for the summary of the utilization of key habitats for brooding and nesting. The 2011 vegetation surveys were not included in the report. Appendix 3-5 and 3-6 summarize the habitat improvement work done by Alton Coal so far and outline future mitigation and reclamation projects. These appendices are currently under review by the Division as part of tasks 4000, 4039 and 4100.

Title: LEK MANAGEMENT

Objective: To attract birds to an alternate lek during active mining operations.

Frequency: Annually during spring

Status: Ongoing each spring during active mating periods.

Reports: Annual summary of work completed to date.

Citation: MRP, Volume 2, Chapter 3, Appendix 3-5, page 11

Operator Comments

In 2011 there was no attempt to attract birds to an alternate site, with better clarification of the requirement of this comment, ACD has began a program in 2012 with the direction of Dr. Petersen to fulfill this commitment. Currently it is anticipated that the traditional lek will be mined in 2014.

Reviewer Comments ☒ Did Not Meet Requirements

☐ Met Requirements

Reviewed by Ingrid Campbell 6/28/2012: As stated above, due to a misunderstanding, the lek was not monitored in 2011. Notice of Violation # 10092 was issued by the Division to Alton Coal Company on December 5, 2011. Alton Coal company is currently planning the monitoring program for 2012 and NOV 10092 was terminated on June 20, 2012.

Title: RECLAMATION TIMETABLE

Objective: To ensure timely reclamation

Frequency: No more than 40 acres to be disturbed at any given time.

Status: Ongoing, once reclamation begins (no more than 40 acres disturbed at a time).

Reports: Annual summary of work completed to date.

Citation: MRP, Volume 2, Chapter 3, page 56

Operator Comments

The initial area to begin reclamation (the west end of the spoils pile) is approaching the permitted final form. It is anticipated that it will be planted in the spring of 2012.

Reviewer Comments ☐ Did Not Meet Requirements ☒ Met Requirements

Reviewed by Priscilla Burton on 6/28/2012. There are two commitments in the MRP that pertain to contemporaneous reclamation. The first provided under R645-301-341.100 (Chap 3, p. 56) states, "No more than 40 acres will be disturbed at one time for mining." This requirement is more specifically described in the second reclamation commitment provided under R645-301-542.100 through 600 (Chap 5, p. 5-59) which states, "Generally, mined areas will be backfilled and graded within approximately 60 days following coal removal, or 1,500 feet of active coal removal face." This latter commitment echoes the requirements for Surface Mining Backfilling and Grading outlined in R645-301-553. Figure 7 of the 2011 Annual Report shows Pits 1 & 2 were backfilled in 2011. These pits will eventually be buried under the spoil pile. Figure 7 also shows mined out pit 3, and the area exposed, blasted and mined in pit 5. Inspection reports #3082 and #3146 confirm that at present, Pit 4 is being actively mined, Pit 3 has been backfilled and Pit 5 is being backfilled. Each pit is approximately 500 ft wide and 1,000 ft. long (approximately 11.5 acres) as shown on Dwg. 5-10. The operation is in compliance with R645-301-553.

FUTURE COMMITMENTS AND CONDITIONS

The following commitments are not required for the current annual report year, but will be required by the permittee in the future as indicated by the "status" field. These commitments are included for information only, and do not currently require action. If you feel that the commitment is no longer relevant or needs to be revised, please contact the Division.

Title: REVIEW AND EVALUATE THE FACILITIES SPILL PLAN (APPENDIX 7-5)

Objective: To ensure the accuracy of the Facilities Spill Plan and to determine if additional or more effective spill prevention and control technology that is applicable to the facility must be added.

Frequency: At least once every five years.

Status: Pending, next review due 2014.

Reports: Completed Plan Review form submitted for incorporation into Appendix B of Appendix 7-5.

Citation: MRP, Volume 7, Chapter 7, Appendix 7-5, Section 2.2 PLAN REVIEW, page 2.

Title: RESTORATION OF LEK

Objective: To restore the original lek at the end of mining activities.

Frequency: Once

Status: Restoration of the lek will begin at final reclamation.

Reports: Annual summary of work completed after reclamation begins.

Citation: MRP, Volume 2, Chapter 3, Appendix 3-5, page 12.

Title: SAGE GROUSE MONITORING

Objective: To monitor the population densities at the Hoyt's ranch and Alton leks and migration patterns in between as long as the birds are living.

Frequency: Annual summary

Status: Ongoing, meet with the Division six months prior to mining through the lek to discuss minimizing impacts to sage grouse.

Reports: Annual Summary of work completed.

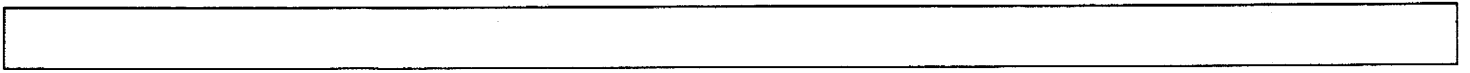
Citation: MRP, Volume 2, Chapter 3, Appendix 3-5, page 13.

OPERATOR COMMENTS (OPTIONAL)

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REVIEWER COMMENTS

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REPORTING OF OTHER TECHNICAL DATA

Please list other technical data or information that was not included in the form above, but is required under the approved plan, which must be periodically submitted to the Division.

Please list attachments:

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Reviewer Comments

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MAPS

Copies of mine maps, current and up-to-date through at least December 31, 2011, are to be provided to the Division as an attachment to this report in accordance with the requirements of R645-301-525.240. The map copies shall be made in accordance with 30 CFR 75.1200 as required by MSHA. Mine maps are not considered confidential.

| Map Name | Map Number | Included | | Confidential | |
|-----------------------------------|------------|-------------------------------------|--------------------------|--------------------------|-------------------------------------|
| | | Yes | No | Yes | No |
| Annual Mine/ Reclamation Area Map | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
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Reviewer Comments ☒ Met Requirements ☐ Did Not Meet Requirements

Map shows projections for 3 years or life of mine at the presently approved status.